

**CITY OF UPLAND
PROFESSIONAL SERVICES AGREEMENT**

This Agreement is made and entered into as of May 8 2023 by and between the City of Upland, a public agency organized and operating under the laws of the State of California with its principal place of business at 460 N. Euclid Avenue, Upland, CA 91786 ("City"), and Van Lant & Fankhanel, LLP, a PARTNERSHIP of Certified Public Accountants with its principal place of business at 29970 Technology Drive, Suite 105A Murrieta, CA 92563 (hereinafter referred to as "Consultant"). City and Consultant are sometimes individually referred to as "Party" and collectively as "Parties" in this Agreement.

RECITALS

A. City is a public agency of the State of California and is in need of professional services for the following project:

Auditing services for annual financial statements (hereinafter referred to as "the Project").

B. Consultant is duly licensed and has the necessary qualifications to provide such services.

C. The Parties desire by this Agreement to establish the terms for City to retain Consultant to provide the services described herein.

AGREEMENT

NOW, THEREFORE, IT IS AGREED AS FOLLOWS:

1. Services.

Consultant shall provide the City with the services described in the Scope of Services and Schedule of Charges attached hereto as Exhibit "A."

2. Compensation.

a. Subject to paragraph 2(b) below, the City shall pay for such services in accordance with the Schedule of Charges set forth in Exhibit "A."

b. In no event shall the total amount paid for services rendered by Consultant under this Agreement exceed the sum of \$203,500 [Two hundred three thousand five hundred dollars]. This amount is to cover all printing and related costs, and the City will not pay any additional fees for printing expenses. Periodic payments shall be made within 30 days of receipt of an invoice which includes a detailed description of the work performed. Payments to Consultant for work performed will be made on a monthly billing basis.

c. The City Manager may approve Additional Work, as further defined in Section 3, up to ten percent (10%) of the amount of the Agreement or twenty thousand three hundred fifty dollars (\$20,350). In no event shall the total sum of the agreement (original compensation amount and Additional Work) exceed two hundred twenty-three thousand eight hundred fifty dollars (\$223,850). Any additional work in excess of this amount shall be approved by the City Council.

3. Additional Work.

If changes in the work seem merited by Consultant or the City, and informal consultations with the other party indicate that a change is warranted, it shall be processed in the following manner: a letter outlining the changes shall be forwarded to the City by Consultant with a statement of estimated changes in fee or time schedule. An amendment to this Agreement shall be prepared by the City and executed by both Parties before performance of such services, or the City will not be required to pay for the changes in the scope of work. Such amendment shall not render ineffective or invalidate unaffected portions of this Agreement.

4. Maintenance of Records.

Books, documents, papers, accounting records, and other evidence pertaining to costs incurred shall be maintained by Consultant and made available at all reasonable times during the contract period and for four (4) years from the date of final payment under the contract for inspection by City.

5. Term

The term of this Agreement shall be from May 8, 2023 to June 30, 2026, unless earlier terminated as provided herein. The Parties may, by mutual, written consent, extend the term of this Agreement for two, one-year additional terms.

6. Delays in Performance.

a. Neither City nor Consultant shall be considered in default of this Agreement for delays in performance caused by circumstances beyond the reasonable control of the non-performing party. For purposes of this Agreement, such circumstances include but are not limited to, abnormal weather conditions; floods; earthquakes; fire; epidemics; pandemics; war; riots and other civil disturbances; strikes, lockouts, work slowdowns, and other labor disturbances; sabotage or judicial restraint.

b. Should such circumstances occur, the non-performing party shall, within a reasonable time of being prevented from performing, give written notice to the other party describing the circumstances preventing continued performance and the efforts being made to resume performance of this Agreement.

7. Compliance with Law.

a. Consultant shall comply with all applicable laws, ordinances, codes and regulations of the federal, state and local government, including Cal/OSHA requirements.

b. If required, Consultant shall assist the City, as requested, in obtaining and maintaining all permits required of Consultant by federal, state and local regulatory agencies.

c. If applicable, Consultant is responsible for all costs of clean up and/ or removal of hazardous and toxic substances spilled as a result of his or her services or operations performed under this Agreement.

8. Standard of Care

Consultant's services will be performed in accordance with generally accepted professional practices and principles and in a manner consistent with the level of care and skill ordinarily exercised by members of the profession currently practicing under similar conditions.

9. Assignment and Subconsultant

Consultant shall not assign, sublet, or transfer this Agreement or any rights under or interest in this Agreement without the written consent of the City, which may be withheld for any reason. Any attempt to so assign or so transfer without such consent shall be void and without legal effect and shall constitute grounds for termination. Subcontracts, if any, shall contain a provision making them subject to all provisions stipulated in this Agreement. Nothing contained herein shall prevent Consultant from employing independent associates, and subconsultants as Consultant may deem appropriate to assist in the performance of services hereunder.

10. Independent Contractor

Consultant is retained as an independent contractor and is not an employee of City. No employee or agent of Consultant shall become an employee of City. The work to be performed shall be in accordance with the work described in this Agreement, subject to such directions and amendments from City as herein provided.

a. PERS Eligibility Indemnification

In the event that Consultant or any employee, agent, or subcontractor of Consultant providing services under this Agreement claims or is determined by a court of competent jurisdiction or the California Public Employees Retirement System ("PERS") to be eligible for enrollment in PERS as an employee of the City, Consultant shall indemnify, defend, and hold harmless City for the payment of any employee and/or employer contributions for PERS benefits on behalf of Consultant or its employees, agents, or subcontractors, as well as for the payment of any penalties and interest on such contributions, which would otherwise be the responsibility of City.

Notwithstanding any other agency, state or federal policy, rule, regulation, law or ordinance to the contrary, Consultant and any of its employees, agents, and subcontractors providing service under this Agreement shall not qualify for or become entitled to, and hereby agree to waive any claims to, any compensation, benefit, or any incident of employment by City, including but not limited to eligibility to enroll in PERS as an employee of City and entitlement to any contribution to be paid by City for employer contribution and/or employee contributions for PERS benefits.

11. Insurance. Consultant shall not commence work for the City until it has provided evidence satisfactory to the City it has secured all insurance required under this section. In addition, Consultant shall not allow any subcontractor to commence work on any subcontract until it has secured all insurance required under this section.

a. Commercial General Liability

(i) The Consultant shall take out and maintain, during the performance of all work under this Agreement, in amounts not less than specified herein, Commercial General Liability Insurance, in a form and with insurance companies acceptable to the City.

(ii) Coverage for Commercial General Liability insurance shall be at least as broad as the following:

(1) Insurance Services Office Commercial General Liability coverage (Occurrence Form CG 00 01) or exact equivalent.

(iii) Commercial General Liability Insurance must include coverage for the following:

- (1) Bodily Injury and Property Damage
- (2) Personal Injury/Advertising Injury
- (3) Premises/Operations Liability
- (4) Products/Completed Operations Liability
- (5) Aggregate Limits that Apply per Project
- (6) Explosion, Collapse and Underground (UCX) exclusion deleted
- (7) Contractual Liability with respect to this Agreement
- (8) Property Damage
- (9) Independent Contractors Coverage

(iv) The policy shall contain no endorsements or provisions limiting coverage for (1) contractual liability; (2) cross liability exclusion for claims or suits by one insured against another; (3) products/completed operations liability; or (4) contain any other exclusion contrary to the Agreement.

(v) The policy shall give City, its officials, officers, employees, agents and City designated volunteers additional insured status using ISO endorsement forms CG 20 10 10 01 and 20 37 10 01, or endorsements providing the exact same coverage.

(vi) The general liability program may utilize either deductibles or provide coverage excess of a self-insured retention, subject to written approval by the City, and provided that such deductibles shall not apply to the City as an additional insured.

b. Automobile Liability

(i) At all times during the performance of the work under this Agreement, the Consultant shall maintain Automobile Liability Insurance for bodily injury and property damage including coverage for owned, non-owned and hired vehicles, in a form and with insurance companies acceptable to the City.

(ii) Coverage for automobile liability insurance shall be at least as broad as Insurance Services Office Form Number CA 00 01 covering automobile liability (Coverage Symbol 1, any auto).

(iii) The policy shall give City, its officials, officers, employees, agents and City designated volunteers additional insured status.

(iv) Subject to written approval by the City, the automobile liability program may utilize deductibles, provided that such deductibles shall not apply to the City as an additional insured, but not a self-insured retention.

c. Workers' Compensation/Employer's Liability

(i) Consultant certifies that he/she is aware of the provisions of Section 3700 of the California Labor Code which requires every employer to be insured against liability for workers' compensation or to undertake self-insurance in accordance with the provisions of that code, and he/she will comply with such provisions before commencing work under this Agreement.

(ii) To the extent Consultant has employees at any time during the term of this Agreement, at all times during the performance of the work under this Agreement, the Consultant shall maintain full compensation insurance for all persons employed directly by him/her to carry out the work contemplated under this Agreement, all in accordance with the "Workers' Compensation and Insurance Act," Division IV of the Labor Code of the State of California and any acts amendatory thereof, and Employer's Liability Coverage in amounts indicated herein. Consultant shall require all subconsultants to obtain and maintain, for the period required by this Agreement, workers' compensation coverage of the same type and limits as specified in this section.

d. Professional Liability (Errors and Omissions)

At all times during the performance of the work under this Agreement the Consultant shall maintain professional liability or Errors and Omissions insurance appropriate to its profession, in a form and with insurance companies acceptable to the City and in an amount indicated herein. This insurance shall be endorsed to include contractual liability applicable to this Agreement and shall be written on a policy form specifically designed to protect against acts, errors or omissions of the Consultant. "Covered Professional Services" as designated in the policy must specifically include work performed under this Agreement. The policy must "pay on behalf of" the insured and must include a provision establishing the insurer's duty to defend.

e. Minimum Policy Limits Required

(i) The following insurance limits are required for the Agreement:

Combined Single Limit

Commercial General Liability	\$1,000,000 per occurrence/ \$2,000,000 aggregate for bodily injury, personal injury, and property damage
Automobile Liability	\$1,000,000 combined single limit
Employer's Liability	\$1,000,000 per accident or disease
Professional Liability	\$1,000,000 per claim and aggregate (errors and omissions)

(ii) Defense costs shall be payable in addition to the limits.

(iii) Requirements of specific coverage or limits contained in this section are not intended as a limitation on coverage, limits, or other requirement, or a waiver of any coverage normally provided by any insurance. Any available coverage shall be provided to the parties required to be named as Additional Insured pursuant to this Agreement.

f. Evidence Required

Prior to execution of the Agreement, the Consultant shall file with the City evidence of insurance from an insurer or insurers certifying to the coverage of all insurance required herein. Such evidence shall include original copies of the ISO CG 00 01 (or insurer's equivalent) signed by the insurer's representative and Certificate of Insurance (Acord Form 25-S or equivalent), together with required endorsements. All evidence of insurance shall be signed by a properly authorized officer, agent, or qualified representative of the insurer and shall certify the names of the insured, any additional insureds, where appropriate, the type and amount of the insurance, the location and operations to which the insurance applies, and the expiration date of such insurance.

g. Policy Provisions Required

(i) Consultant shall provide the City at least thirty (30) days prior written notice of cancellation of any policy required by this Agreement, except that the Consultant shall provide at least ten (10) days prior written notice of cancellation of any such policy due to non-payment of premium. If any of the required coverage is cancelled or expires during the term of this Agreement, the Consultant shall deliver renewal certificate(s) including the General Liability Additional Insured Endorsement to the City at least ten (10) days prior to the effective date of cancellation or expiration.

(ii) The Commercial General Liability Policy and Automobile Policy shall each contain a provision stating that Consultant's policy is primary insurance and that any insurance, self-insurance or other coverage maintained by the City or any named insureds shall not be called upon to contribute to any loss.

(iii) The retroactive date (if any) of each policy is to be no later than the effective date of this Agreement. Consultant shall maintain such coverage continuously for a period of at least three years after the completion of the work under this Agreement. Consultant shall purchase a one (1) year extended reporting period A) if the retroactive date is advanced past the effective date of this Agreement; B) if the policy is cancelled or not renewed; or C) if the policy is replaced by another claims-made policy with a retroactive date subsequent to the effective date of this Agreement.

(iv) All required insurance coverages, except for the professional liability coverage, shall contain or be endorsed to provide a waiver of subrogation in favor of the City, its officials, officers, employees, agents, and volunteers or shall specifically allow Consultant or others providing insurance evidence in compliance with these specifications to waive their right of recovery prior to a loss. Consultant hereby waives its own right of recovery against City, and shall require similar written express waivers and insurance clauses from each of its subconsultants.

(v) The limits set forth herein shall apply separately to each insured against whom claims are made or suits are brought, except with respect to the limits of liability. Further the limits set forth herein shall not be construed to relieve the Consultant from liability in excess of such coverage, nor shall it limit the Consultant's indemnification obligations to the City and shall not preclude the City from taking such other actions available to the City under other provisions of the Agreement or law.

h. Qualifying Insurers

(i) All policies required shall be issued by acceptable insurance companies, as determined by the City, which satisfy the following minimum requirements:

(1) Each such policy shall be from a company or companies with a current A.M. Best's rating of no less than A:VII and admitted to transact in the business of insurance in the State of California, or otherwise allowed to place insurance through surplus line brokers under applicable provisions of the California Insurance Code or any federal law.

i. Additional Insurance Provisions

(i) The foregoing requirements as to the types and limits of insurance coverage to be maintained by Consultant, and any approval of said insurance by the City, is not intended to and shall not in any manner limit or qualify the liabilities and obligations otherwise assumed by the Consultant pursuant to this Agreement, including but not limited to, the provisions concerning indemnification.

(ii) If at any time during the life of the Agreement, any policy of insurance required under this Agreement does not comply with these specifications or is canceled and not replaced, City has the right but not the duty to obtain the insurance it deems necessary and any premium paid by City will be promptly reimbursed by Consultant or City will withhold amounts sufficient to pay premium from Consultant payments. In the alternative, City may cancel this Agreement.

(iii) The City may require the Consultant to provide complete copies of all insurance policies in effect for the duration of the Project.

(iv) Neither the City nor any of its officials, officers, employees, agents or volunteers shall be personally responsible for any liability arising under or by virtue of this Agreement.

j. Subconsultant Insurance Requirements. Consultant shall not allow any subcontractors or subconsultants to commence work on any subcontract until they have provided evidence satisfactory to the City that they have secured all insurance required under this section. Policies of commercial general liability insurance provided by such subcontractors or subconsultants shall be endorsed to name the City as an additional insured using ISO form CG 20 38 04 13 or an endorsement providing the exact same coverage. If requested by Consultant, City may approve different scopes or minimum limits of insurance for particular subcontractors or subconsultants.

12. Indemnification.

a. To the fullest extent permitted by law, Consultant shall defend (with counsel of City's choosing), indemnify and hold the City, its officials, officers, employees, volunteers, and agents free and harmless from any and all claims, demands, causes of action, costs, expenses, liability, loss, damage or injury of any kind, in law or equity, to property or persons, including wrongful death, in any manner arising out of, pertaining to, or incident to any acts, errors or omissions, or willful misconduct of Consultant, its officials, officers, employees, subcontractors, consultants or agents in connection with the performance of the Consultant's services, the Project or this Agreement, including without limitation the payment of all damages, expert witness fees and attorney's fees and other related costs and expenses. Consultant's obligation to indemnify shall not be restricted to insurance proceeds, if any, received by Consultant, the City, its officials, officers, employees, agents, or volunteers.

b. If Consultant's obligation to defend, indemnify, and/or hold harmless arises out of Consultant's performance of "design professional" services (as that term is defined under Civil Code section 2782.8), then, and only to the extent required by Civil Code section 2782.8, which is fully incorporated herein, Consultant's indemnification obligation shall be limited to claims that arise out of, pertain to, or relate to the negligence, recklessness, or willful misconduct of the Consultant, and, upon Consultant obtaining a final adjudication by a court of competent jurisdiction, Consultant's liability for such claim, including the cost to defend, shall not exceed the Consultant's proportionate percentage of fault.

13. California Labor Code Requirements.

a. Consultant is aware of the requirements of California Labor Code Sections 1720 et seq. and 1770 et seq., which require the payment of prevailing wage rates and the performance of other requirements on certain "public works" and "maintenance" projects ("Prevailing Wage Laws"). If the services are being performed as part of an applicable "public works" or "maintenance" project, as defined by the Prevailing Wage Laws, and if the total compensation is \$1,000 or more, Consultant agrees to fully comply with such Prevailing Wage Laws. Consultant shall defend, indemnify and hold the City, its officials, officers, employees and agents free and harmless from any claims, liabilities, costs, penalties or interest arising out of any failure or alleged failure to comply with the Prevailing Wage Laws. It shall be mandatory upon the Consultant and all subconsultants to comply with all California Labor Code provisions, which include but are not limited to prevailing wages (Labor Code Sections 1771, 1774 and 1775), employment of apprentices (Labor Code Section 1777.5), certified payroll records (Labor Code Sections 1771.4 and 1776), hours of labor (Labor Code Sections 1813 and 1815) and debarment of contractors and subcontractors (Labor Code Section 1777.1). The requirement to submit certified payroll records directly to the Labor Commissioner under Labor Code section 1771.4 shall not apply to work performed on a public works project that is exempt pursuant to the small project exemption specified in Labor Code Section 1771.4.

b. If the services are being performed as part of an applicable "public works" or "maintenance" project, then pursuant to Labor Code Sections 1725.5 and 1771.1, the Consultant and all subconsultants performing such services must be registered with the Department of Industrial Relations. Consultant shall maintain registration for the duration of the Project and require the same of any subconsultants, as applicable. Notwithstanding the foregoing, the contractor registration requirements mandated by Labor Code Sections 1725.5 and 1771.1 shall not apply to work performed on a public works project that is exempt pursuant to the small project exemption specified in Labor Code Sections 1725.5 and 1771.1.

c. This Agreement may also be subject to compliance monitoring and enforcement by the Department of Industrial Relations. It shall be Consultant's sole responsibility to comply with all applicable registration and labor compliance requirements. Any stop orders issued by the Department of Industrial Relations against Consultant or any subcontractor that affect Consultant's performance of services, including any delay, shall be Consultant's sole responsibility. Any delay arising out of or resulting from such stop orders shall be considered Consultant caused delay and shall not be compensable by the City. Consultant shall defend, indemnify and hold the City, its officials, officers, employees and agents free and harmless from any claim or liability arising out of stop orders issued by the Department of Industrial Relations against Consultant or any subcontractor.

14. Verification of Employment Eligibility.

By executing this Agreement, Consultant verifies that it fully complies with all requirements and restrictions of state and federal law respecting the employment of undocumented aliens, including, but not limited to, the Immigration Reform and Control Act of 1986, as may be amended from time to time, and shall require all subconsultants and sub-subconsultants to comply with the same.

15. Reserved.

16. Laws and Venue.

This Agreement shall be interpreted in accordance with the laws of the State of California. If any action is brought to interpret or enforce any term of this Agreement, the action shall be brought in a state or federal court situated in the County of San Bernardino, State of California.

17 Termination or Abandonment

a. City has the right to terminate or abandon any portion or all of the work under this Agreement by giving ten (10) calendar days written notice to Consultant. In such event, City shall be immediately given title and possession to all original field notes, drawings and specifications, written reports and other documents produced or developed for that portion of the work completed and/or being abandoned. City shall pay Consultant the reasonable value of services rendered for any portion of the work completed prior to termination. If said termination occurs prior to completion of any task for the Project for which a payment request has not been received, the charge for services performed during such task shall be the reasonable value of such services, based on an amount mutually agreed to by City and Consultant of the portion of such task completed but not paid prior to said termination. City shall not be liable for any costs other than the charges or portions thereof which are specified herein. Consultant shall not be entitled to payment for unperformed services, and shall not be entitled to damages or compensation for termination of work.

b. Consultant may terminate its obligation to provide further services under this Agreement upon thirty (30) calendar days' written notice to City only in the event of substantial failure by City to perform in accordance with the terms of this Agreement through no fault of Consultant.

18 Documents. Except as otherwise provided in "Termination or Abandonment," above, all original field notes, written reports, Drawings and Specifications and other documents, produced or developed for the Project shall, upon payment in full for the services described in this Agreement, be furnished to and become the property of the City.

19. Organization

Consultant shall assign Greg Fankhanel, CPA, CFE as Project Manager. The Project Manager shall not be removed from the Project or reassigned without the prior written consent of the City.

20. Limitation of Agreement.

This Agreement is limited to and includes only the work included in the Project described above.

21. Notice

Any notice or instrument required to be given or delivered by this Agreement may be given or delivered by depositing the same in any United States Post Office, certified mail, return receipt requested, postage prepaid, addressed to:

DISTRICT:

City of Upland

460 N. Euclid Avenue

Upland, CA 91786

Attn: Michael Blay, City Manager

CONSULTANT:

Van Lant & Fankhanel, LLP

29970 Technology Drive, Suite 105A

Murrieta, CA 92563

Greg Fankhanel, CPA, CFE, Managing Partner

and shall be effective upon receipt thereof.

22. Third Party Rights

Nothing in this Agreement shall be construed to give any rights or benefits to anyone other than the City and the Consultant.

23. Equal Opportunity Employment.

Consultant represents that it is an equal opportunity employer and that it shall not discriminate against any employee or applicant for employment because of race, religion, color, national origin, ancestry, sex, age or other interests protected by the State or Federal Constitutions. Such non-discrimination shall include, but not be limited to, all activities related to initial employment, upgrading, demotion, transfer, recruitment or recruitment advertising, layoff or termination.

24. Entire Agreement

This Agreement, with its exhibits, represents the entire understanding of City and Consultant as to those matters contained herein, and supersedes and cancels any prior or contemporaneous oral or written understanding, promises or representations with respect to those matters covered hereunder. Each Party acknowledges that no representations, inducements, promises or agreements have been made by any person which are not incorporated herein, and that any other agreements shall be void. This Agreement may not be modified or altered except in writing signed by both Parties hereto. This is an integrated Agreement.

25. Severability

The unenforceability, invalidity or illegality of any provision(s) of this Agreement shall not render the remaining provisions unenforceable, invalid or illegal.

26. Successors and Assigns

This Agreement shall be binding upon and shall inure to the benefit of the successors in interest, executors, administrators and assigns of each Party to this Agreement. However, Consultant shall not assign or transfer by operation of law or otherwise any or all of its rights, burdens, duties or obligations without the prior written consent of City. Any attempted assignment without such consent shall be invalid and void.

27. Non-Waiver

None of the provisions of this Agreement shall be considered waived by either Party, unless such waiver is specifically specified in writing.

28. Time of Essence

Time is of the essence for each and every provision of this Agreement.

29. City's Right to Employ Other Consultants

City reserves its right to employ other consultants, including engineers, in connection with this Project or other projects.

30. Prohibited Interests

Consultant maintains and warrants that it has not employed nor retained any company or person, other than a bona fide employee working solely for Consultant, to solicit or secure this Agreement. Further, Consultant warrants that it has not paid nor has it agreed to pay any company or person, other than a bona fide employee working solely for Consultant, any fee, commission, percentage, brokerage fee, gift or other consideration contingent upon or resulting from the award or making of this Agreement. For breach or violation of this warranty, City shall have the right to rescind this Agreement without liability. For the term of this Agreement, no director, official, officer or employee of City, during the term of his or her service with City, shall have any direct interest in this Agreement, or obtain any present or anticipated material benefit arising therefrom.

[SIGNATURES ON FOLLOWING PAGE]

**SIGNATURE PAGE FOR PROFESSIONAL SERVICES AGREEMENT
BETWEEN CITY OF UPLAND
AND VAN LANT & FANKHANEL, LLP**

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first written above.

CITY OF UPLAND

VAN LANT & FANKHANEL, LLP

By: 

Michael Blay
City Manager

By: 

Its: Managing Partner

Printed Name: Greg Fankhanel, LLP

ATTEST:

By: 

Keri Johnson, City Clerk

EXHIBIT A

Scope of Services and Schedule of Charges



Proposal to Perform Professional Audit Services

City of Upland

Van Lant & Fankhanel, LLP

Greg Fankhanel, CPA, CFE
Managing Partner

29970 Technology Drive,
Suite 105 A

Murrieta, CA 92563

Phone: (909) 756-2589

Fax: (909) 912-8378

Email: gfankhanel@vlfcpa.com

California License No.: 7535



Proposal to Perform Audit Services for the:



Submitted by:



California License No. PAR 7535

Contact Information:

Greg Fankhanel, CPA, CFE
Brett Van Lant, CPA
29970 Technology Drive, Suite 105 A
Murrieta, CA 92563

Telephone: (909) 856-6879

E-mail: gfankhanel@vlfcpa.com
bvanlant@vlfcpa.com

March 6, 2023

CITY OF LAGUNA HILLS
PROPOSAL TO PERFORM ANNUAL AUDIT SERVICES
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March 6, 2023

Stephen Parker, Assistant City Manager
City of Upland
460 North Euclid Avenue
Upland, CA 91786

Van Lant & Fankhanel, LLP (VLF) is pleased to submit our proposal to perform professional audit services for the City of Upland (City). We hope this proposal conveys our strong desire and qualifications to fulfill your requirements. We understand this proposal is to audit the City's financial statements for five fiscal years beginning with the fiscal year ending June 30, 2023, with the option to extend for two additional years.

VLF is a local firm of Certified Public Accountants with offices located in Redlands and Murrieta, California. The principals of the firm (Mr. Brett Van Lant and Mr. Greg Fankhanel) have been providing governmental accounting and auditing services to California cities and special districts for over 40 years combined. VLF is dedicated to providing the highest level of experience and expertise in governmental accounting knowledge to ensure a smooth audit process with minimal disruption to the City's ongoing daily administrative operations.

VLF is the best choice to provide annual audit services to the City of Upland for the following significant reasons:

- We have extensive experience auditing California cities and special districts that offer similar services as the City.
- Significant Partner involvement throughout the audit engagement. Audit Partners will be performing fieldwork and preparing reports with the assistance of senior level auditors. Having the Audit Partners involved in all aspects of the audit assures continuity of the audit team each year.
- A complete understanding of the City's reporting requirements and deadlines. In addition, we assist a number of cities and special districts each year in obtaining the GFOA award for excellence in financial reporting.
- Mr. Fankhanel is also a Certified Fraud Examiner which adds another level of expertise to the audit process. We have assisted many California cities in strengthening internal controls, and establishing effective policies and procedures.

Van Lant & Fankhanel, LLP

29970 Technology Drive, Suite 105 A
Murrieta, CA 92563
909.856.6879

What sets us apart from other audit firms? You are not just a number to us – every audit client is unique and important to us. As a smaller firm, we believe the **personal service and attention** we will provide cannot be duplicated at larger firms. While many firms have knowledgeable and experienced individuals on staff, the quality of each audit ultimately depends on the audit personnel involved in the daily audit process, including fieldwork and report preparation. With VLF, you will be dealing with Partner-level personnel throughout the audit process, including fieldwork.

We are passionate about providing the highest level of service. We believe one the best services we can provide is to be available throughout the year to assist our clients with questions and keep them apprised of new accounting and financial reporting requirements. We encourage our clients to communicate questions or concerns, not only during the audit process, but as they arise at any time during the year. You will have access to the audit partners on a daily basis, throughout each audit and each fiscal year.

We certify that VLF and the audit partners are properly licensed to practice in California. We agree to perform all of the work outlined in the RFP within the time periods established by the City. Our firm is an Equal Opportunity Employer, and has the required insurance coverage as listed in the City's RFP. Greg Fankhanel is authorized to represent VLF, empowered to submit this proposal, and authorized to sign a contract with the City. This proposal is a firm and irrevocable offer to audit the financial statements for the three fiscal years beginning with fiscal year 2023. Should you have any questions regarding our proposal or desire additional information, please call Greg Fankhanel, CPA, at (909) 856-6879, or email to gfankhanel@vlfcpa.com.

Respectfully submitted,

A handwritten signature in cursive script that reads "Greg Fankhanel".

Greg Fankhanel, CPA, CFE
Managing Partner



License and Independence

VLF and all assigned key professional staff are properly licensed by the California State Board of Accountancy to practice in the State of California (License No. PAR 7535).

We are independent of the City of Upland and its component units in accordance with generally accepted auditing standards as promulgated by Rule 101 of the American Institute of Certified Public Accountants Code of Professional Ethics, generally accepted government auditing standards promulgated by the U.S. General Accounting Office (GAO), and the rules of the California State Board of Accountancy and Accounting Oversight Board.

We will provide the City with written notice of any professional relationships entered into during the period of our engagement that may impair our independence, if necessary. We have provided audit services to the City of Upland for the past five years, and have maintained our independence throughout.

We have been engaged as the City of Upland's independent auditors for the past 5 years. Our relationship as independent auditors does not constitute a conflict of interest relative to performing the proposed audit due to our professional standards that require us to remain independent in fact and appearance, throughout the term of our engagement.

Firm Qualifications and Experience

Van Lant & Fankhanel, LLP (VLF) is a local firm of Certified Public Accountants specializing in local government accounting and financial reporting. VLF currently serves a number of local governments throughout the State. Our Firm's mission is to provide our clients with the highest level of experience and expertise, throughout each year of our engagement. Because VLF is a smaller firm dedicated to governmental accounting and auditing services, we provide our clients with Partner level individuals in the field each year of the audit engagement. This has proven to be a valuable service to our clients and helps to significantly reduce the amount of client staff time consumed by the audit process.

The proposed audit team will include 2 full-time Audit Partners and 1 full-time Senior Accountant and 1 additional staff as necessary. One of the Audit Partners will be assigned to perform quality control reviews and assist with audit fieldwork as necessary.

Our Murrieta office will be the engagement office assigned to the City. VLF currently provides audit and accounting services to a number of cities and special districts throughout California.



Information regarding several of our current audit clients has been included in this proposal. Please contact these organizations to learn more about our firm's ability to provide excellent audit services.

Greg Fankhanel has been a reviewer for the GFOA ACFR award program for many years.

Our Firm focuses on providing audit and assurance services to municipal and non-profit organizations. The Partners have also provided TOT and Franchise Fee audit services, and other consulting services, including fraud investigations.

The engagement team members proposed to serve the City are highly-trained government auditors. One of our goals is to avoid putting our clients in a position of having to "train" the auditors. We avoid this by ensuring that all fieldwork is properly staffed and supervised by Partner level personnel. We are required to complete at least 80 hours of continuing education every 2 years, with a majority of these hours relating specifically to government accounting and auditing subjects. Continuing education requirements are met through classes developed by professional organizations, such as the CSCP, GFOA, and the AICPA. Both Mr. Fankhanel and Mr. Van Lant have been instructors for an in-house continuing education program for several years.

Current Municipal Audit Clients

Below is a list of current municipal audit clients for which we currently provide audit services.

Current Municipal Clients	
Town of Apple Valley	City of Upland*
City of Clearlake	City of West Covina
City of Buena Park*	City of Winters*
City of Delano*	City of Yucaipa*
City of Hemet*	Apple Valley Fire Protection District
City of Hidden Hills	Lake Arrowhead Community Services District*
City of Highland*	Greenfield County Water District
City of La Puente*	Riverside County Flood Control District*
City of Montclair	Running Springs Water District
City of Susanville	Tehachapi Cummings County Water District*
City of Tehachapi*	Temescal Valley Water District
City of Ukiah*	Western Riverside Council of Governments

Participation in External Quality Control Review Program

As required by Government Auditing Standards, our firm must have a peer review once every three years. We received a "clean" opinion with no deficiencies in our most recent peer review report, which included a review of specific government engagements. A copy of the report is included at **Appendix A**.

In addition, we have established a quality control program to adhere to the stringent quality control standards established by the AICPA. We have also developed policies and procedures to ensure our



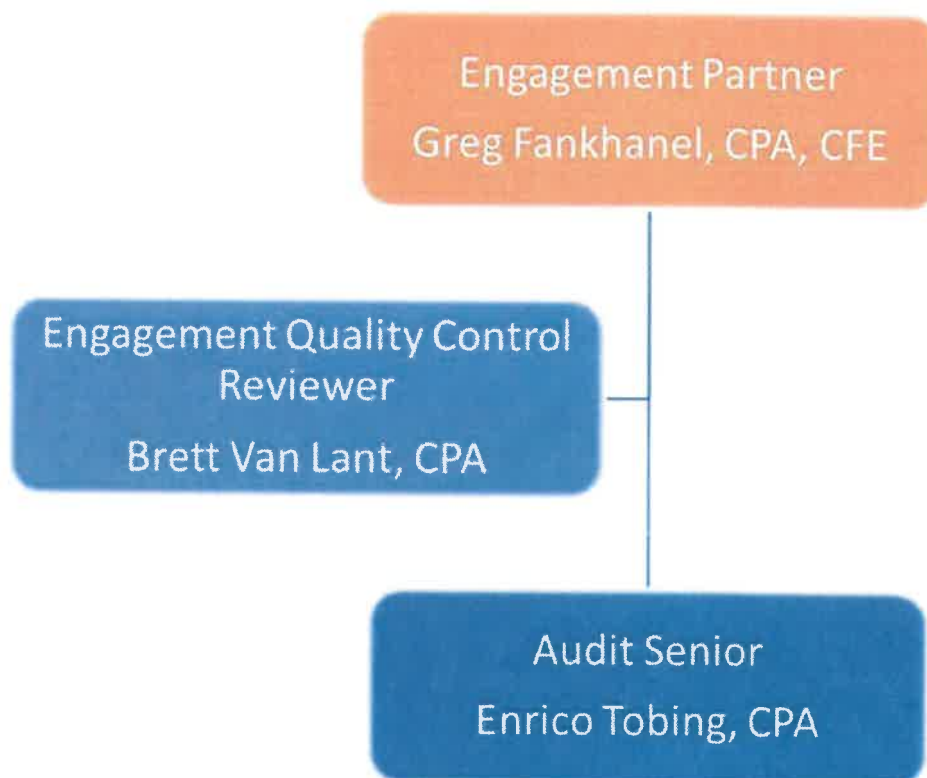
engagements are properly supervised and staff receives necessary training to handle the responsibilities afforded them.

Disciplinary Action

There have been no disciplinary or regulatory actions taken against our CPA firm, or the partners. The firm has had no negative federal or state reviews.

Partner, Supervisory, and Staff Qualifications and Experience

The proposed Engagement Team selected to serve the City have extensive experience and a proven record of providing excellent audit services to Cities of similar size and operations.



We will provide continuity of audit staff from year to year, which is in the best interest of the City and is most efficient from our firm's perspective. Additionally, the audit partners assigned to this engagement are working partners and therefore will be involved throughout the entire engagement each year, including fieldwork.



We affirm that engagement partners, managers, and other supervisory staff may be changed if those personnel leave the firm, are promoted or are assigned to another office. These personnel may also be changed for other reasons only with the express prior written permission of the City. We agree the City retains the right to approve or reject replacements.

Greg W. Fankhanel, CPA, CFE
Engagement Partner

Mr. Fankhanel is the managing Partner of VLF and has 30+ years of experience auditing local governments and non-profits, including cities and special districts throughout the State of California. Mr. Fankhanel will be extensively involved throughout the audit process. He has served as a special reviewer for the GFOA certificate of achievement program for many years. In addition, he will be the point of contact for the City throughout the engagement.

Brett Van Lant, CPA
Quality Control Partner

Mr. Van Lant is an Audit Partner for VLF and has over 15 years of experience auditing local governments and non-profits, including cities and special districts throughout the State of California. His duties will include supervising the engagement team during fieldwork, reviewing all reports, and performing the review and approval of the audit engagement. His duties will include performing quality control reviews of the engagement and serve as the concurring partner for the audit.

Enrico Tobing, CPA
Supervisor

Mr. Tobing is a Supervisor with VLF with over 8 years of experience. He will work closely with Mr. Fankhanel during the audit fieldwork and report preparation for the City. Mr. Tobing has extensive experience auditing local governments, including cities and special districts throughout the State of California.

Resumes of the proposed engagement team are provided below:

GREG W. FANKHANEL, CPA, CFE

Engagement Partner

Greg W. Fankhanel is the Managing Partner of Van Lant & Fankhanel, LLP. Prior to co-founding our firm, Mr. Fankhanel spent 22 years with Teaman, Ramirez, & Smith where he served as an Audit Partner for over 12 years.

Mr. Fankhanel has extensive experience in leading and performing financial statement audit engagements for government agencies. In addition, as a Certified Fraud Examiner (CFE), he takes a proactive approach in providing information and assistance in fraud prevention and detection, which provides an excellent resource for audit clients.

PROFESSIONAL MEMBERSHIPS

- Member, American Institute of Certified Public Accountants (AICPA)
- Member, California Society of Certified Public Accountants (CalCPA)
- Member, California Society of Municipal Finance Officers (CSMFO)
- Member, Government Finance Officers Association (GFOA)
- Member, Association of Certified Fraud Examiners (ACFE)
- GFOA Certificate reviewer

PROFESSIONAL EXPERIENCE (PARTIAL LIST)

- Town of Apple Valley
- City of Corona
- City of Hidden Hills
- City of Highland
- City of La Puente
- City of Montclair
- City of Murrieta
- City of San Fernando
- City of San Clemente
- City of St. Helena
- City of Tehachapi
- City of Ukiah
- City of Upland
- City of Yucaipa
- City of Winters
- East Valley Water District
- Running Springs Water District
- Lake Arrowhead Community Services District
- Temescal Valley Water District
- Tehachapi-Cummings County Water District
- Valley Sanitary District

CONTINUING PROFESSIONAL EDUCATION

Over 120 hours of continuing education over the past three years with a focus on governmental accounting and auditing topics, along with fraud prevention and detection.

EDUCATION

University of Hawaii

BS Degree in Business Administration, Emphasis in Accounting

BRETT VAN LANT, CPA

Engagement QC Reviewer

Brett Van Lant is an audit Partner of Van Lant & Fankhanel, LLP. Prior to co-founding our firm, Mr. Van Lant spent 6 years with Teaman, Ramirez, & Smith where he served as an Audit Manager for over 4 years.

Mr. Van Lant has extensive experience in leading and performing financial statement audit engagements for government agencies. He has worked closely with many local governments over the year assisting with the implementation of significant accounting pronouncements including GASB 67/68 and GASB 75.

PROFESSIONAL MEMBERSHIPS

- Member, American Institute of Certified Public Accountants (AICPA)
- Member, California Society of Certified Public Accountants (CalCPA)
- Member, California Society of Municipal Finance Officers (CSMFO)
- Member, Government Finance Officers Association (GFOA)

PROFESSIONAL EXPERIENCE (PARTIAL LIST)

- Town of Apple Valley
- City of Corona
- City of Delano
- City of Healdsburg
- City of Hemet
- City of Highland
- City of Hidden Hills
- City of King City
- City of La Puente
- City of Montclair
- City of Murrieta
- City of San Fernando
- City of San Clemente
- City of Santee
- City of South El Monte
- City of Tehachapi
- City of Ukiah
- City of Upland
- City of Yucaipa
- City of Winters
- East Valley Water District
- Running Springs Water District
- Lake Arrowhead Community Services District
- Temescal Valley Water District
- Tehachapi-Cummings County Water District
- Valley Sanitary District

CONTINUING PROFESSIONAL EDUCATION

Over 120 hours of continuing education over the past three years with a focus on governmental accounting and auditing topics, along with topics related to audits performed under the Uniform Guidance.

EDUCATION

California State University, San Bernardino

BS Degree in Business Administration, Emphasis in Accounting

ENRICO TOBING, CPA

Engagement Supervisor

Enrico Tobing is an audit Supervisor at Van Lant & Fankhanel, LLP. Enrico joined VLF upon graduating from California State University, San Bernardino.

Mr. Tobing has over 6 years' experience performing financial statement audit engagements for government agencies. He has been involved in numerous audit engagements throughout the years participating in the planning process, developing the detailed audit approach, performing single audit compliance testing, supervising staff, and the preparation of financial and other required reports. He earned his CPA license in California in 2020.

PROFESSIONAL MEMBERSHIPS

- Member, American Institute of Certified Public Accountants (AICPA)
- Member, California Society of Municipal Finance Officers (CSMFO)

PROFESSIONAL EXPERIENCE

- Town of Apple Valley
- City of Delano
- City of Healdsburg
- City of Hidden Hills
- City of Highland
- City of La Puente
- City of Lemon Grove
- City of Maywood
- City of Montclair
- City of Murrieta
- City of San Fernando
- City of San Clemente
- City of Santa Paula
- City of Susanville
- City of Tehachapi
- City of Ukiah
- City of Upland
- City of Yucaipa
- Town of Windsor
- City of Winters
- East Valley Water District
- Running Springs Water District
- Riverside County Flood Control and Water Conservation District
- Lake Arrowhead Community Services District
- Temescal Valley Water District
- Tehachapi-Cummings County Water District

CONTINUING PROFESSIONAL EDUCATION

Over 120 hours of continuing education over the past three years with a focus on governmental accounting and auditing topics, along with topics related to audits performed under the Uniform Guidance.

EDUCATION

California State University, San Bernardino

BS Degree in Business Administration, Emphasis in Accounting



Similar Engagements with Other Governmental Entities

The following are audit client references for which similar services have been provided in the last three years. The audit clients listed below are all current audit clients of our firm.

1) City of Tehachapi

Client Contact: Sue Weir,
Financial Analyst
City of Tehachapi
115 S Robinson Street
Tehachapi, CA 93561
(661) 822-2200, Ext. 111

Engagement Partner: Greg Fankhanel
Total Hours: 295

The City of Tehachapi was incorporated in 1909 as a General Law City and provides the following services: public safety, streets, planning, water, wastewater, refuse, airport, and general administrative services. We conducted the annual audit of the City for the years ended June 30, 2011 through 2021 (including single audit). We also prepared the State Controller's Reports and provided assistance in obtaining the GFOA financial statement award.

2) City of Highland

Client Contact: Chuck Dantuono,
Director of Admin. Services
27215 Baseline
Highland, CA 92346
(909) 864-6861, ext. 224

Engagement Partner: Brett Van Lant
Total Hours: 225

The City of Highland is a General Law City that provides the following services: public safety, streets, planning, and general administrative services. We conducted the annual audit of the City for the years ended June 30, 2017 through June 30, 2021 and provided assistance with the implementation of new GASB Pronouncements. We also provided assistance in submitting for and obtaining the GFOA financial statement award.

3) City of Delano

Client Contact: Rosa Rios, CPA,
Director of Finance/Treasurer
City of Delano
1015 11th Avenue
Delano, CA 93215
(661) 720-2235

Engagement Partner: Brett Van Lant
Total Hours: 360

The City of Delano provides the following services: public safety, streets, planning, waer, wastewater, and general administrative services. We conducted the annual audit of the City for the years ended June 30, 2020 through 2022 (including single audit) and provided assistance with the implementation of GASB 87 and other accounting pronouncements. We also provided assistance in obtaining the GFOA financial statement award.



4) City of La Puente

Client Contact: Troy Grunklee,
Administrative Services Director
City of La Puente
15900 Main St.
La Puente, CA 91744
(626) 855-1509

Engagement Partner: Greg Fankhanel
Total Hours: 235

The City of La Puente is a General Law City that provides the following services: public safety, streets, planning, and general administrative services. We conducted the annual audit of the City for the years ended June 30, 2015 through June 30, 2021 (including single audit) and provided assistance with the implementation of new GASB Pronouncements. We also provided assistance in submitting for and obtaining the GFOA financial statement award.

5) City of Hemet

Client Contact: Tiffany Barnett,
Accounting Manager
City of Hemet
445 E. Florida Ave.,
Hemet, CA 92543
(951) 765-2387

Engagement Partner: Brett Van Lant
Total Hours: 310

The City of Hemet was incorporated in 1910 as a General Law City and provides the following services: public safety (Police and Fire), streets, planning, water, and general administrative services. We conducted the annual audit of the City for the years ended June 30, 2011 through 2014 and June 30, 2021 through June 30, 2022 (including single audit) and provided assistance with the implementation of GASB pronouncements and preparation of the State Controller's Report and annual Street Report. We also provided assistance in submitting for and obtaining the GFOA financial statement award.



Specific Audit Approach

We believe that timely and adequate audit planning, along with proper communication throughout the audit process, helps to achieve highly efficient and effective audits. We also believe that one of the most important services that can be rendered to clients is to be available at all times during the year. This approach allows the clients the opportunity to consult with the auditors about technical problems and alternative approaches to accounting issues that arise during the year. We emphasize audit partner availability throughout each fiscal year.

Proposed Segmentation

The following is a proposed segmentation of the engagement, including the level of staff and proposed date involved for each segment.

Description	Level of Staff	Estimated Hours
Preaudit planning with City staff. Detail audit plan provided.	Partners	2
Entrance conferences and auditors perform interim audit procedures, including Single Audit procedures, if applicable.	Partners, Senior	145
Progress conference (interim work complete).	Partners	1
Auditors mail all necessary audit confirmations.	Senior	2
City staff provides trial balances and supporting schedules for audit. Auditors commence final examination procedures.	Partners, Senior	165
Exit conference where auditors propose AJE's and discuss internal control and compliance findings from the audit, as applicable.	Partners	2
Auditors prepare draft CAFR and other applicable reports.	Partners, Senior	30
City reviews draft CAFR and related audit reports.	N/A	N/A
All reports are finalized and submitted.	Partners	3
All SCO Reports Completed	Partners, Senior	25

Our proposed segmentation of the engagement is further expanded below:



Planning Phase

Shortly after our appointment as auditors, we will schedule a pre-audit planning meeting during which we will discuss any special concerns, needs and the timing of the audit with appropriate members of the City's staff. We will provide a customized request list or "PBC list" to City staff in advance of our arrival for interim fieldwork.

All members of the proposed engagement team are highly trained municipal auditors with extensive experience auditing similar Cities in California. Therefore, we tailor our approach with the focus of being the least disruptive as possible to the City's staff. To achieve this, as part of the planning phase, the engagement team will review City budgets, organizational charts, year-to-date accounting records, applicable accounting policies and procedures, prior year financial statements, the City's website, and minutes of Council meetings to gain a thorough understanding of the City's operations and activities.

Interim Fieldwork

We take a customized approach to each and every audit. We will apply the "Risk Assessment" audit standards to your audits. An overriding objective throughout the planning process is the identification of risks that should be assessed as to whether they could result in material misstatement of the financial statements whether due to error or fraud. Due to the complex nature of the risk assessment process, it is performed at the Partner level for all of our audit engagements.

The main focus of the interim audit fieldwork is to obtain an understanding and evaluate the City's specific internal accounting control systems. Our review and evaluation of your internal control systems will be completed by reviewing supporting documentation for transactions, walk-throughs, and interviews of City staff. Each of these approaches requires inquiry and observation of City personnel and operations. We will also utilize the City's budget, organizational charts, financial reports, policies and procedures, and other applicable documents.

Interim financial reports will be reviewed and limited analytical procedures will be applied to significant account balances in order to identify potential misstatements early on in the audit process.

As required by our audit standards, we will also perform procedures to identify the risk of fraud within the organization. In addition to reviewing pertinent accounting records and policies and procedures, we will conduct "fraud inquiries" with various selected City staff. Given the sensitive nature of these procedures, these inquiries will be conducted by the Audit Partners.

We will conclude the interim audit period with an exit conference with the appropriate City staff to discuss any findings or control risks we encountered during this interim phase, along with practical recommendations to mitigate these risks. Our recommendations will be directed at safeguarding City assets, improving the effectiveness of City procedures, and improving the reporting of financial information, as applicable.



Year-end Fieldwork

This phase of the audit will focus on verifying account balances in the City's general ledger. Balance sheet accounts, along with certain revenue and expenditure/expense will be reviewed for reasonableness and verified with supporting documentation, including third-party confirmations, loan and debt agreements, and other supporting schedules. Analytical and substantive procedures will be performed based on our judgment and the results of our risk assessment.

We will conclude the year-end audit fieldwork with an exit conference with the appropriate City staff to discuss the results of our audit procedures, as well as disclose any proposed journal entries we may have discovered. We will also discuss the preparation of the ACFR and various other reports to be issued for the audit period.

Report Preparation

Partners and senior staff will be solely responsible for preparing the reports.

Our draft reports go through an extensive review process before they are sent to City staff for review. Our goal is to provide "print ready" reports when City staff receives the first draft. This ensures City staff will not have to spend time correcting our mistakes. We have a proven track record of meeting deadlines and being flexible to meet the City's needs as they may change throughout the engagement.

City Staff Assistance

Assistance expected from City staff will include pulling invoices for review, answering procedural questions, and answering other questions regarding the City's activities.

Sampling

Our sampling methods are designed to provide the most coverage possible without expending excess time where impractical. We also concentrate efforts towards those areas known to be susceptible to error. Sample sizes will depend upon our preliminary assessment of control risk and the extent of our planned substantive tests and analytical procedures. We use models based on statistical sampling theories to help determine the sample size of a given population of transactions. In addition, we may select transactions above a certain dollar threshold, based on materiality, to review. We use sampling in the areas of cash receipts, cash disbursements, payroll, and utility billing.

The audit team will have laptop computers onsite during the audit fieldwork utilizing state-of-the-art software. We utilize programs such as Microsoft Excel to assist in our audit procedures and provide for greater efficiency and effectiveness, including data extraction procedures and analysis. We have significant experience working with many various accounting systems in our government audits.



Analytical Procedures

Analytical procedures will be performed in the planning stage of the audit (risk assessment process) and in our substantive testing, based on the results of our risk assessment. These procedures will include comparing account balances to prior years and to the current period's budget, and consideration of expected relationships among the accounts and periods. To be effective, the analytical procedures can only be performed once we have determined our expectations based on our understanding of the City's activities and changes from one year to the next. For results that do not meet our expectations, we perform additional substantive procedures to understand and verify the causes for the fluctuations. We make every effort to investigate the fluctuations before obtaining explanations from City staff and consuming staff time unnecessarily. In addition, analytical procedures will also be performed in the overall review stage of the audit.

Approach to Understanding the City's Internal Controls

We will obtain an understanding of the design and implementation of the City's internal controls by performing the procedures as required by SAS 109. This involves documenting our understanding of the internal controls over the areas of cash, investments, revenues and receivables, utility revenues and receivables, expenditures and accounts payable, capital assets, debt, payroll and related liabilities, self-insurance and claims liabilities and grant compliance. We will then evaluate the design of controls and determine whether they have been properly implemented. Evaluating the design of controls involves considering whether the control, individually or in combination with other controls, is capable of effectively preventing or detecting and correcting material misstatements.

In addition, as part of the audit, we will issue an internal control report as required by *Government Auditing Standards* that will identify significant deficiencies and material weaknesses, if any.

Approach to Understanding Laws and Regulations Subject to Audit Test Work

Our audit approach recognizes the importance of laws and regulations in planning the audit of a local governmental entity. As part of the audit, we obtain an understanding of those laws and regulations that have a direct and material effect on the determination of financial statement amounts. We then design the audit to provide reasonable assurance of detecting material instances of noncompliance. We obtain our understanding of applicable laws and regulations by becoming familiar with the following:

- 1) The terms and provisions of grant agreements and contracts.
- 2) State and federal restrictions affecting funding received by the City;
- 3) The Municipal Code of the City.
- 4) State laws regarding authorized investments, spending limits, debt limits, etc.
- 5) City policies regarding investments, purchasing, budgets, and the establishment of funds.
- 6) Bond covenants of outstanding issues.
- 7) Personnel Policies adopted by the City.
- 8) Other Federal and State laws and regulations, as appropriate.



Approach to Drawing Samples for Purposes of Tests of Compliance

The objective of tests of compliance is to determine whether an organization has complied with laws and regulations that may have a material effect on each major program. Therefore, we select samples that will provide sufficient evidence for that purpose. After defining the population, we determine sample sizes and select samples from each major program. Factors that may affect the sample sizes include the following:

- a) The amount of expenditures for the program and the individual awards;
- b) The newness of the program or changes in its conditions;
- c) Prior experience with the program, particularly as revealed in audits and other evaluations;
- d) The extent to which the program is carried out through subreipients;
- e) The level to which the program is already subject to program reviews or other forms of independent oversight;
- f) The adequacy of controls for ensuring compliance;
- g) The expectation of adherence or lack of adherence to the applicable laws and regulations; a
- h) The potential impact of adverse findings.

In the event that any irregularity in records indicates the City may have suffered or will suffer a monetary loss, we will report such loss to the appropriate City personnel immediately upon discovery in the form of a written report. Responses to City notifications will be prompt and all reports will be remitted in a timely manner to meet your needs. We make it a practice to be proactive in providing guidance and assistance to our audit clients throughout each fiscal year to ensure proper and timely implementation of new and significant accounting pronouncements, and also with laws and regulations.

Assistance expected from City staff will include providing us with documents and information included in our comprehensive request list provided at the start of the audit process, answering operational and procedural type questions, and preparing confirmation letters.

Why hire VLF?

Based on our experience, our approach to the City's audit is unlike other audit firms. The significant involvement of the Audit Partners throughout the audit process helps to achieve highly efficient and effective audits. We customize each audit, each year, and believe our approach will help the City in its efforts to achieve excellence in financial reporting and provide excellent service to the citizens of Upland.

Your City will be top priority for our firm, and you will have access to the Audit Partners on a daily basis. While we are a growing audit firm, we only take on audits when we feel that we can continue to provide this high level of service. In addition, the Audit Partner in charge of the City's audit is a Certified Fraud Examiner, providing a level of service unlike most audit firms.

The Partners and all professional staff have significant training and experience in assisting our clients with the implementation of new GASB pronouncements. We will provide a pro-active approach to ensure the City has taken the necessary steps to effectively implement new standards. We are committed to being available throughout the year to provide assistance, answer questions, and offer technical advice and examples.



Identification of Anticipated Audit Problems

We do not anticipate any unusual, significant problems in conducting the audit. The Partners and all professional staff have significant training and experience in assisting our clients with the implementation of new GASB pronouncements. We will provide a pro-active approach to ensure the City has taken the necessary steps to effectively implement new standards. We are committed to being available throughout the year to provide assistance, answer questions, and offer technical advice and examples.



Fees

This cost proposal is based on the current audit scope, and is made with the assumption that the City's books and records will be in a reasonably balanced condition and reconciled at the start of the audit and that the representations made to us during this proposal process will remain effective throughout our engagement. The following fees are based on the assumption that the single audit will include no more than one major program, in accordance with the Uniform Guidance.

Summary of Professional Fees and Expenses Total All-inclusive Maximum Price

Service	Fiscal Year Ending June 30,			Optional Years	
	2023	2024	2025	2026	2027
City Audit, ACFR and Related Reports	\$ 35,000	\$ 35,000	\$ 36,000	\$ 36,000	\$ 37,200
Appropriations Limit Report	650	650	700	700	750
Single Audit and Related Reports	3,800	3,800	4,300	4,300	4,650
Additional Costs	-	-	-	-	-
Total Maximum Cost	\$ 39,450	\$ 39,450	\$ 41,000	\$ 41,000	\$ 42,600

We agree the City may broaden the scope of our engagement and we agree to hold ourselves available to perform such additional work as the City may desire. A progress billing will be submitted following our preliminary audit procedures. A final billing will be submitted upon delivery of all required reports. No billings will be made for out-of-pocket expenses or any other expenses such as typing, clerical, printing or travel costs.

Our standard hourly rates are as follows:

Position	Anticipated Hours	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
Partner	165	\$ 200	\$ 200	\$ 210	\$ 210	\$ 225
Manager	0	170	170	180	180	190
Senior Accountant	85	140	140	150	150	160
Staff Accountant	85	100	100	100	100	100
Clerical		N/A	N/A	N/A	N/A	N/A
Total Hours	335					

APPENDIX A



SPAFFORD AND LANDRY CPAs

HERE TO MAKE THE COMPLEX SIMPLE.

Patrick D. Spafford, CPA
Todd C. Landry, CPA

Licensed by the California Board of Accountancy
Member: American Institute of Certified Public Accountants

Report on the Firm's System of Quality Control

To Van Lant & Fankhanel, LLP
and the Peer Review Committee of the California Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Van Lant & Fankhanel, LLP (the firm) in effect for the year ended February 29, 2020. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act.

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Van Lant & Fankhanel, LLP in effect for the year ended February 29, 2020, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency (ies)* or *fail*. Van Lant & Fankhanel, LLP has received a peer review rating of *pass*.

Spafford & Landry, Inc.

July 14, 2020